



The Real Estate ANALYST

OCTOBER
1945

Roy Wenzlick
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies... Surveys...Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME XIV

RECONVERSION IS WELL UNDER WAY

APPARENTLY reconversion of industry is going to have comparatively little effect on real estate in most cities. This is shown by the fact that large decreases from the peak in manufacturing employment in many war centers have not succeeded in producing any noticeable residential vacancy. In practically all cities the housing situation is as tight or tighter than it was before V-E Day, although in some of these cities - Oakland, California, for example - manufacturing employment at the end of June was 55 per cent below the peak. This was 36 per cent above the 1937 level, as Oakland had been a rapidly growing city long before the war and will undoubtedly come out of the war period with a very much larger population than it formerly had.

The charts on pages 294 through 297 show indexes of production worker employment in manufacturing industries for principal metropolitan areas and cities from 1937 through June 1945. The red line on each chart represents the average (median) of all districts. This line reached its peak in December 1943, when it was 74 per cent above the 1937 level. By June of 1945 it had dropped, but was still 43 per cent above the base year. No figures by cities are available as yet past June, but on a national basis manufacturing employment declined 3.3 per cent further during July. August, September and October have shown further drops, but no measured figures are yet available to show how great they have been.

Twenty-three cities or areas have experienced drops of 30 per cent or more from their peaks of manufacturing employment. These are listed below.

	% drop from peak	% above or below 1937		% drop from peak	% above or below 1937
Salt Lake City	66	- 16	Los Angeles	36	+121
Oakland	55	+ 36	Utica	35	- 3
San Diego	55	+210	Evansville	34	+105
Fort Worth	47	+140	Tampa	34	+ 84
Jacksonville	47	+ 70	Dallas	33	+121
Kansas City, Kans.	46	+ 86	New Orleans	33	+101
Long Beach	42	+485	Fall River	32	- 23
Denver	41	- 72	Wichita	32	+516
Grand Rapids	40	- 16	Buffalo	31	+ 30
Tulsa	39	+233	Norfolk	31	+144
Miami	38	+ 69	Hartford	30	+ 30
Somerville	38	- 31			

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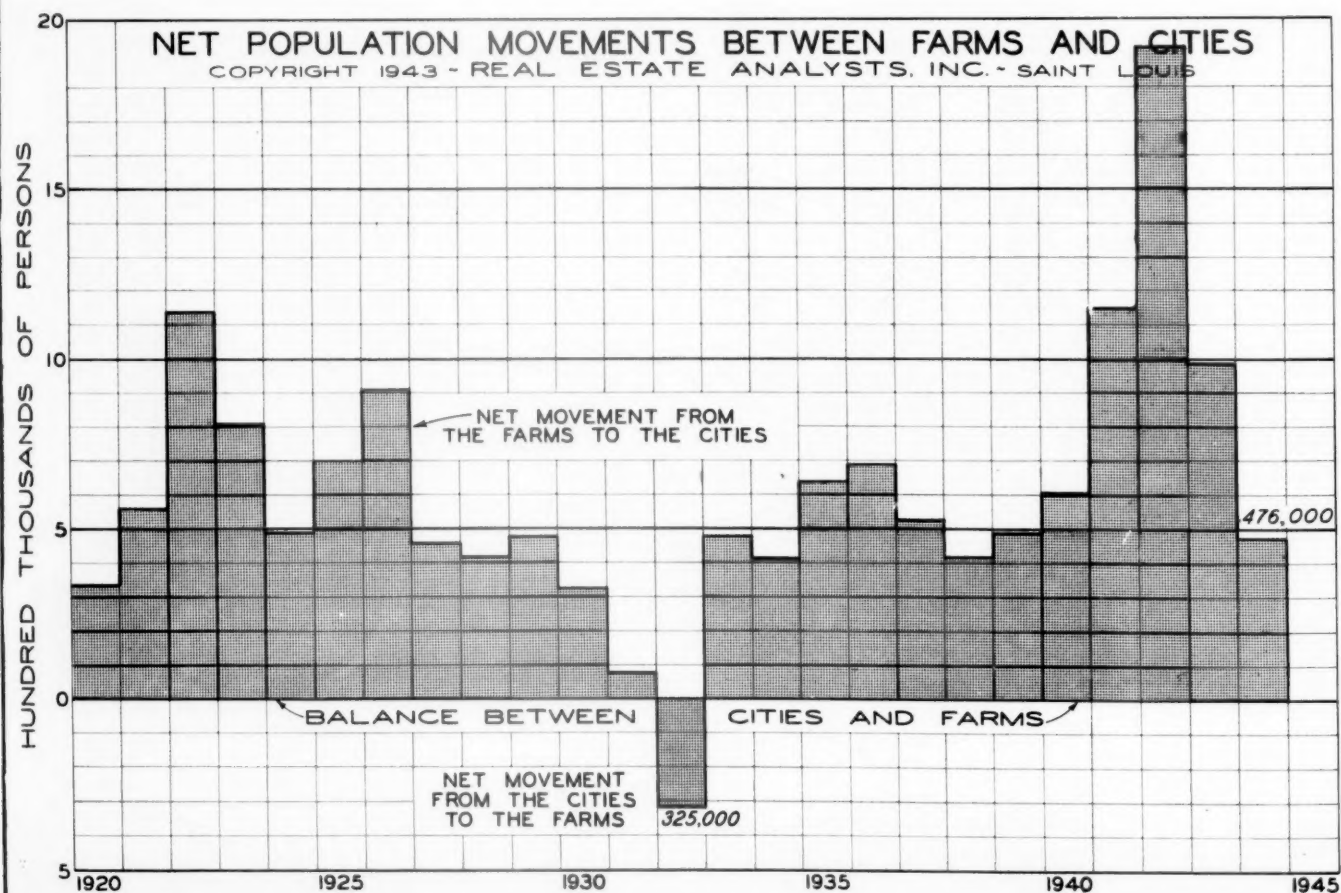
NET POPULATION MOVEMENTS BETWEEN FARMS AND CITIES

THE chart above shows the net movement of population in the United States from farms to cities for each year from 1920 through 1944. By net movement we mean the difference between the number of people moving from farms to cities and the number moving from cities to farms.

It will be noticed that the trend away from farms was interrupted in only one year, 1932. The Government's back-to-the-farm movement, officially started in 1933, was followed by considerable increases in the number of people moving away from farms.

The figures charted represent only changes through civilian migration. If losses to the armed forces are added to the peak of 1,920,000 in 1942, the total loss in farm population for that year is 2,779,000. Net losses due to inductions were 211,000 in 1941, 859,000 in 1942, 505,000 in 1943, and 200,000 in 1944.

The decreasing rate of civilian movement from farms is probably due partly to the very heavy migration which occurred in the early years of the war. It is quite probable that the farm population during 1945 will not show any further decreases. According to estimates of the Bureau of Agricultural Economics, there were 25,190,000 persons living on farms on January 1, 1945. This is the lowest number of farm residents for the entire period of 35 years for which such estimates are available.



APARTMENT BONDS RISING RAPIDLY

THE index on Apartment Bond Prices, given in table form and charted below, attempts to measure prices since 1931. It was found impossible to carry the index back further as in most cases, prior to 1931, the market for real estate bonds was artificially supported by the underwriting house regardless of the condition of the individual property. The declines in all issues came at the time when the underwriters stopped supporting the market.

The 25 issues selected for this index cover properties in 14 cities. These particular issues were selected because they are sufficiently active to secure regular quotations. Issues with complicated reorganization plans have been avoided.

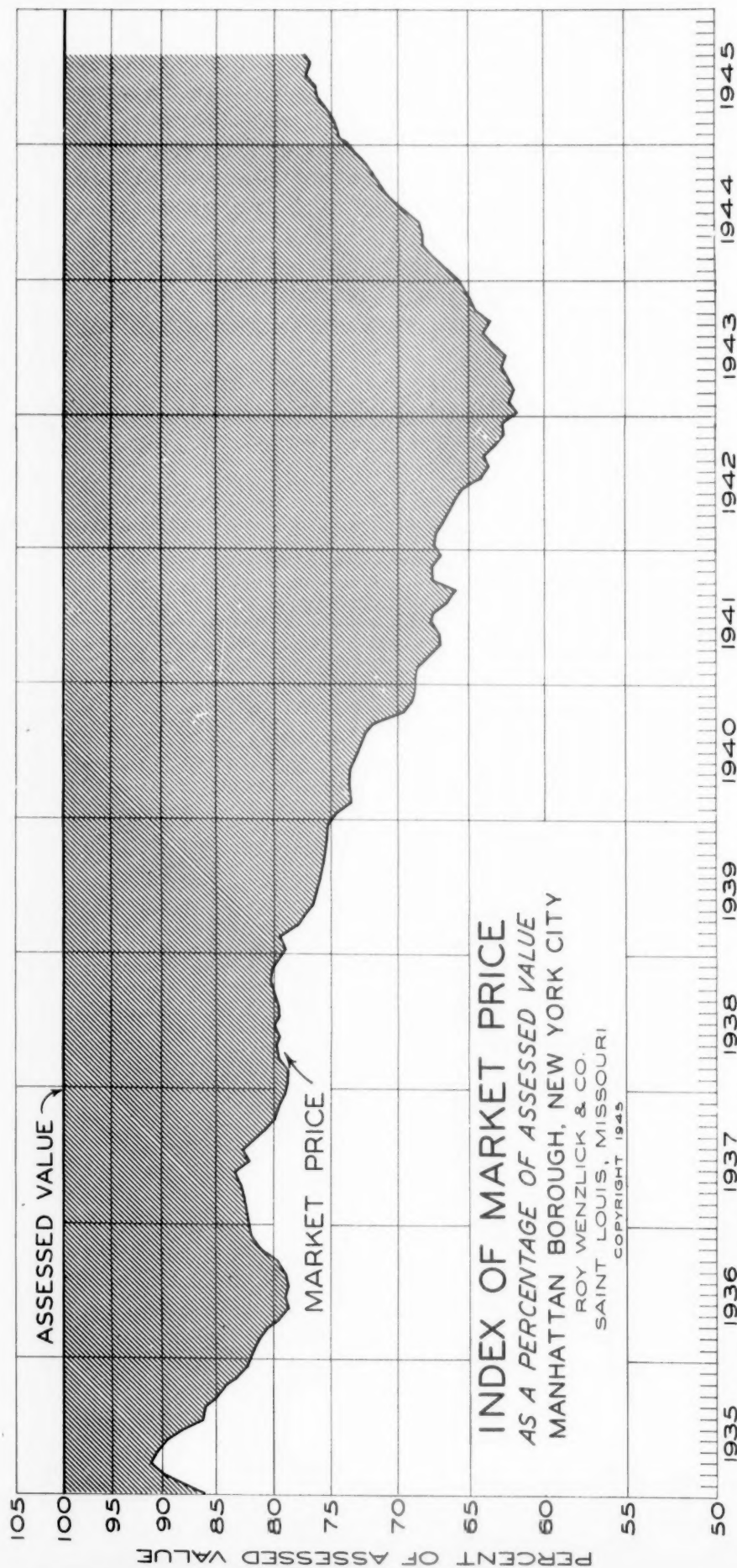
Apartment bonds have increased by 59 per cent since the war started in Europe. During the past year they have increased 15.2 per cent. They are now 270 per cent above the low of 1933.

These rises in apartment bond prices have been made in spite of rent control. In a free market the rise would have been much greater.

INDEX OF APARTMENT BOND PRICES

	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945
1	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6
2	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8
3	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0
4	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0
5	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6
6	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6
7	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5
8	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5
9	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1
10	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	
11	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	
12	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	





THE chart above shows the relationship of the market price of all open-market sales of real estate on Manhattan Island to the assessed value at the time of the sale. During this period the assessed values have dropped on many properties. This means that the drop in market price in relationship to assessed value from 1935 to 1943 was not so great as the actual drop in market prices.

In the spring of 1935 the market price of typical properties being sold in Manhattan averaged 91% of assessed values. By January 1943 a typical prop-

erty was bringing 61.8% of its assessed value.

Since January 1943 there has been a marked improvement in Manhattan real estate. With comparatively few reversals the trend has been consistently up. This is the result of the housing shortage plus the fear of inflation.

Whether the trend will continue upward when the war shipments of men and materials through the New York gateway diminish is still a debatable point which cannot be clearly predicted at present.

(continued from page 289)

Most of these cities, it will be noticed, still show manufacturing employment well above the base year of 1937. Following is a list of all cities with current figures below this level.

Percentage decrease in manufacturing employment
in comparison with the levels of 1937

Reading	37	Atlanta	10
Somerville	31	Gary	8
Fall River	23	Youngstown	8
New Bedford	20	Yonkers	7
Grand Rapids	16	Providence	5
Salt Lake City	16	Utica	3
Lowell	14	Cambridge	1

Of all cities covered by these figures Wichita was still showing the largest percentage above 1937 levels as in June manufacturing employment in Wichita was still 516 per cent above the 1937 average. Undoubtedly manufacturing employment has dropped sharply since then but, in our opinion, Wichita is going to come through the postwar period with a far larger population than it had before.

In discussing reconversion unemployment it is always well to keep in mind that in the average city before the war only from one-fifth to one-half of the employment was manufacturing employment. On the other hand, manufacturing employment is the most vulnerable of all types during the reconversion period, but as it shrinks in many cities nonmanufacturing employment will increase sharply, taking up a lot of the slack.

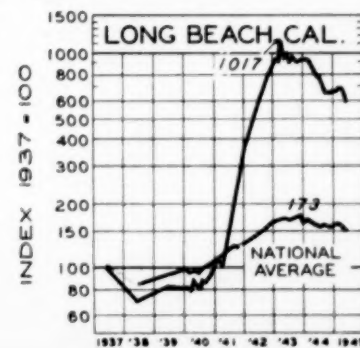
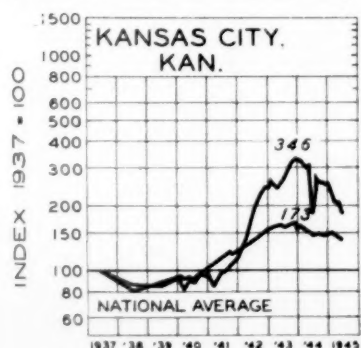
The fact that in fourteen cities manufacturing employment is running below the levels of 1937 would indicate that at the time these figures were available conversion had not yet gotten well under way and that the manufacture of civilian goods formerly manufactured in these cities was still in the future.

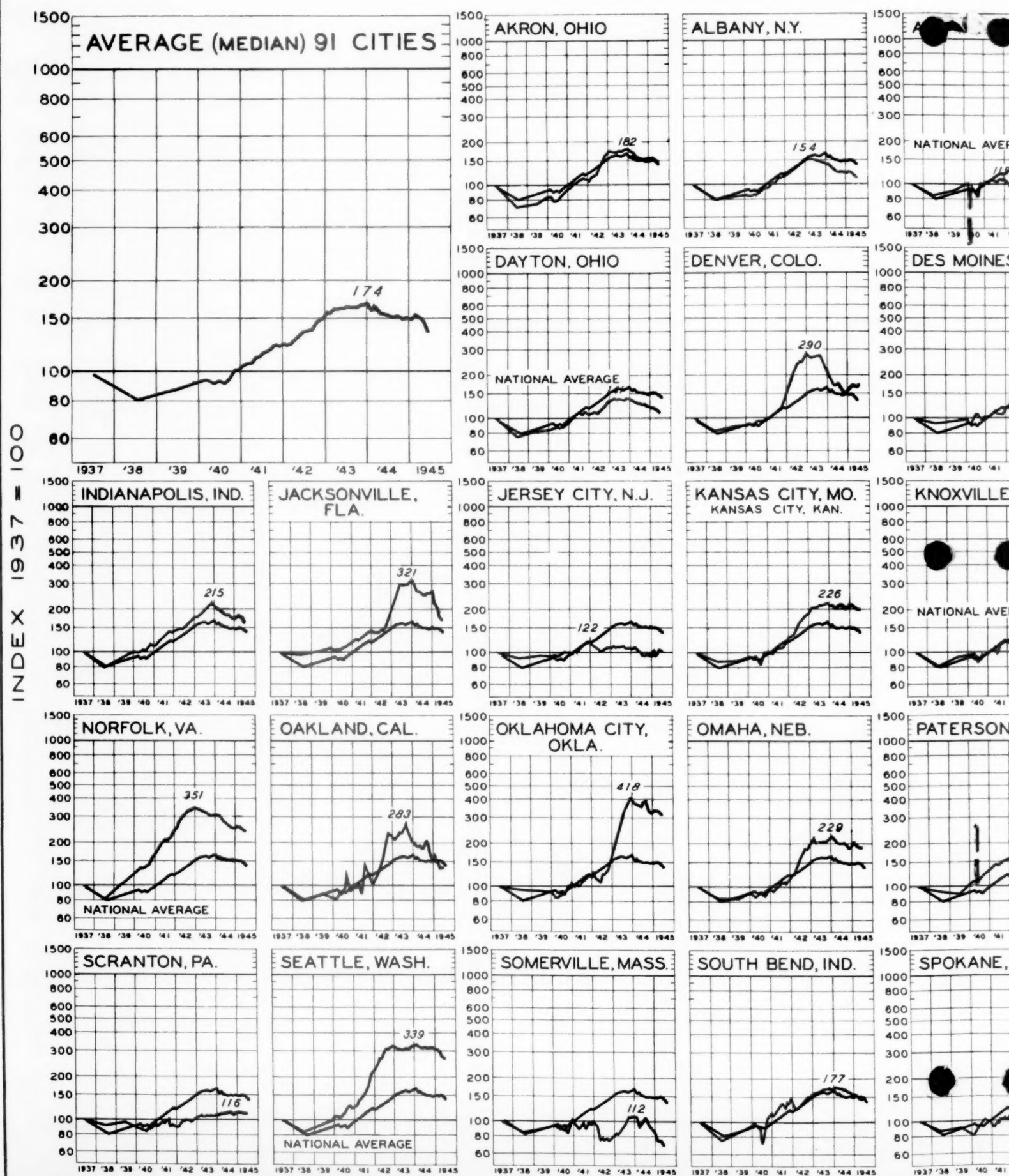
The indexes of employment by States presented on pages 298 through 300 (see page 301 for the chart on the District of Columbia) are based on estimates of the Bureau of Labor Statistics. We have made August 1939 the base period on these charts in order to measure the changes in employment since the start of the war in Europe.

The figures include employees in nonagricultural establishments only. They do not include self-employed persons, proprietors of unincorporated businesses, unpaid family workers, domestic help, and vessel employees. Also ex-

cluded are public emergency employees (WPA, CCC, and NYA) and persons in the armed forces.

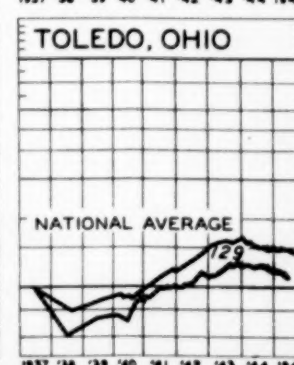
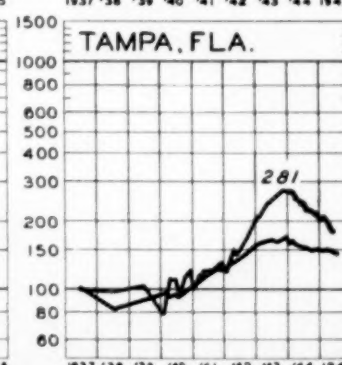
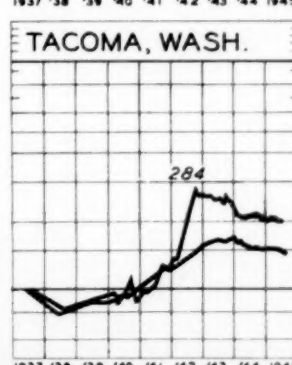
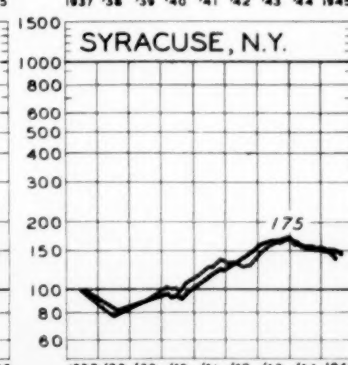
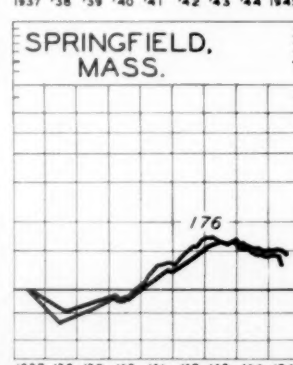
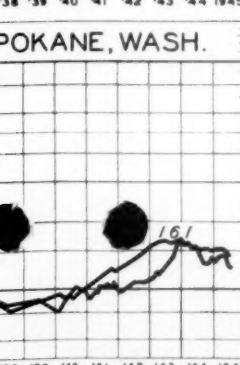
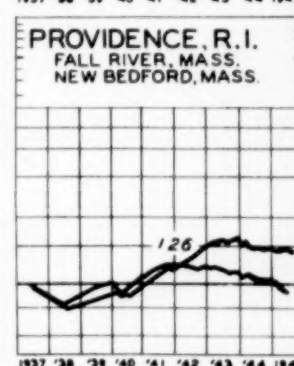
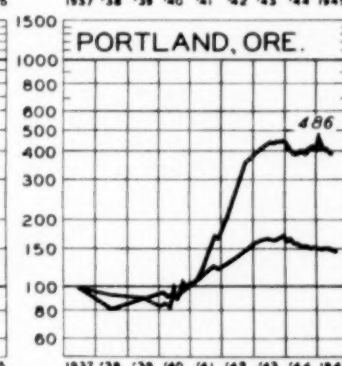
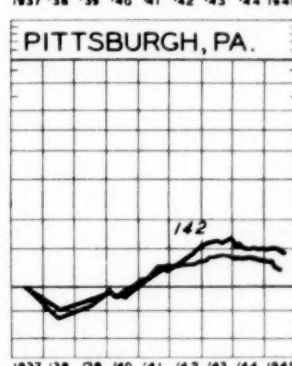
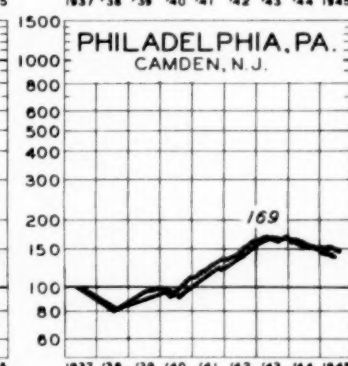
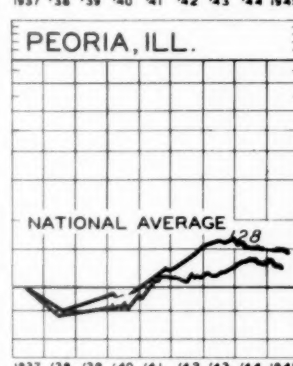
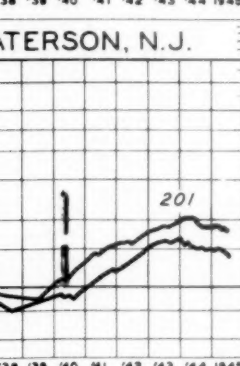
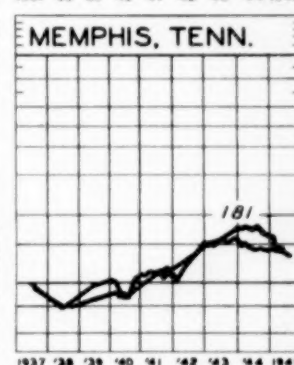
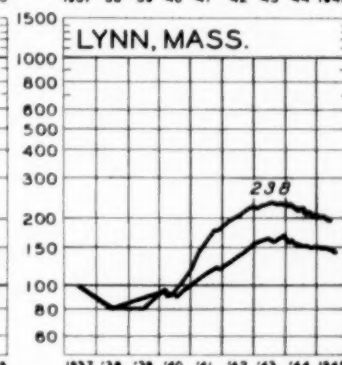
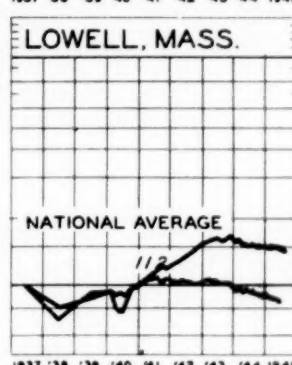
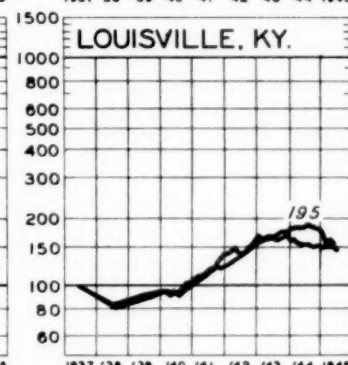
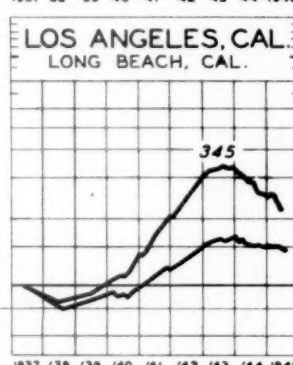
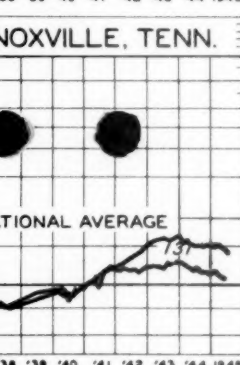
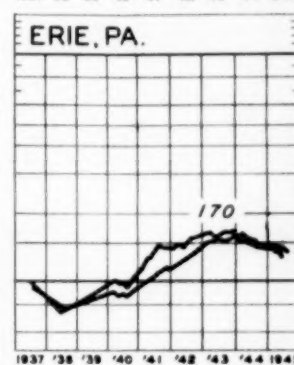
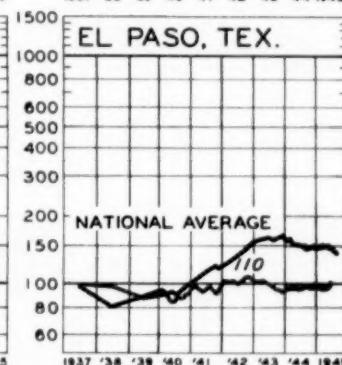
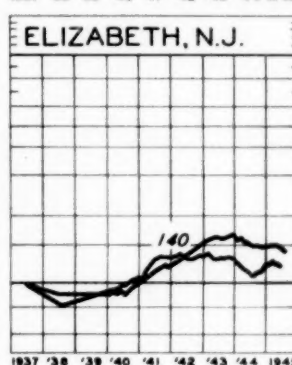
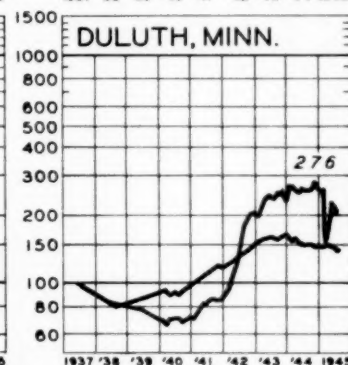
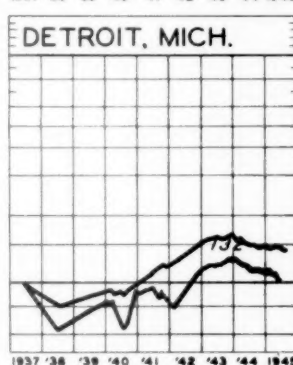
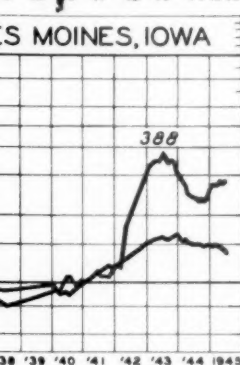
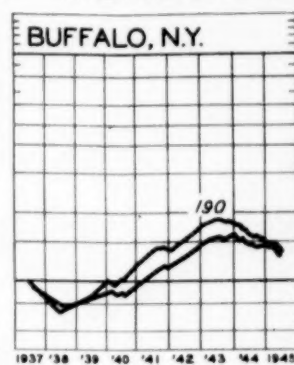
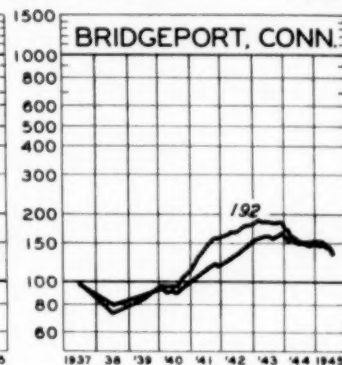
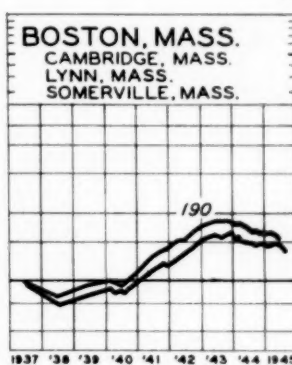
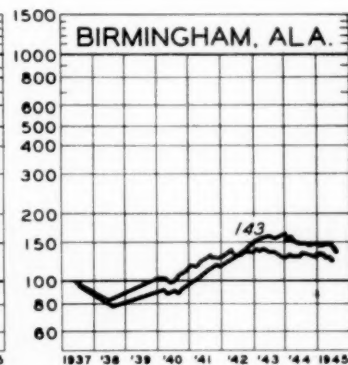
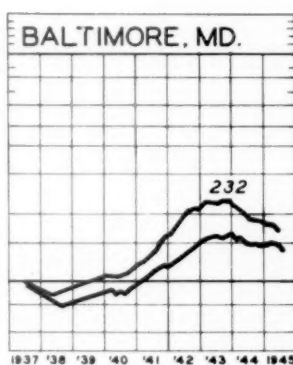
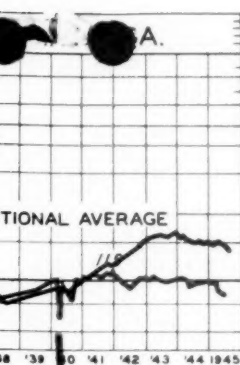
Figures for the entire United States are shown by the red line on each chart.
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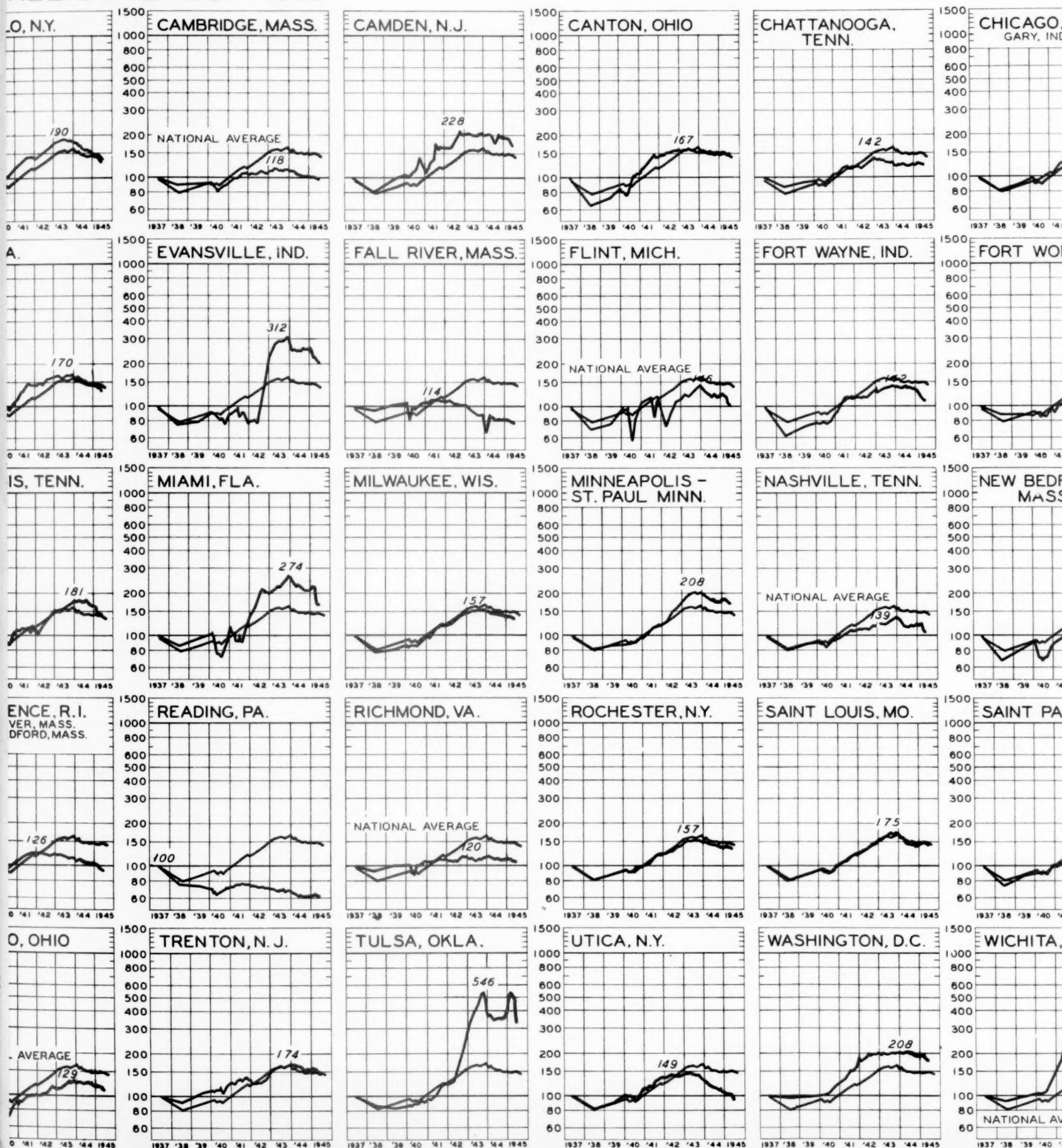
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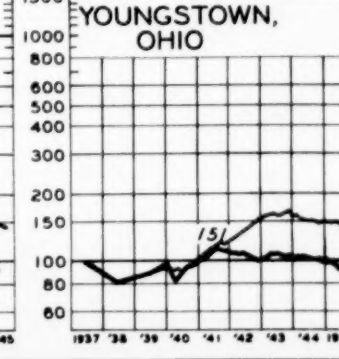
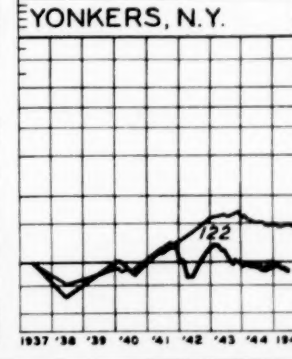
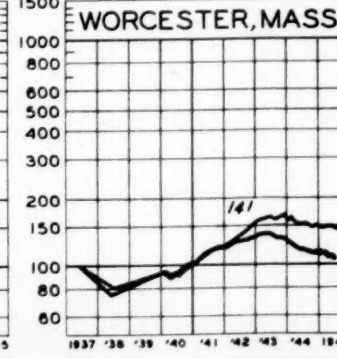
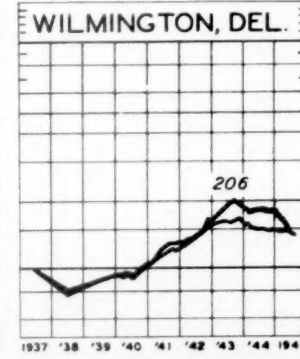
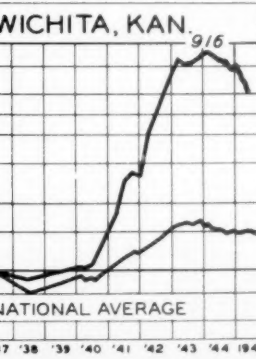
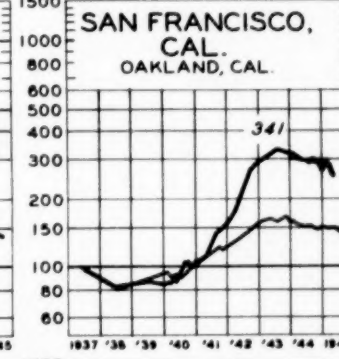
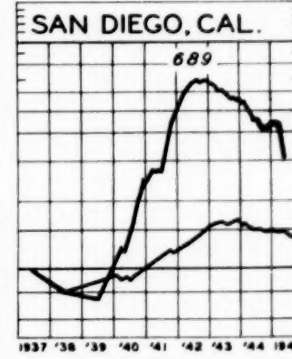
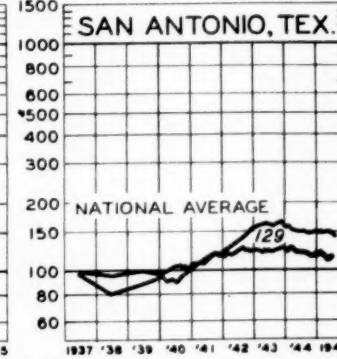
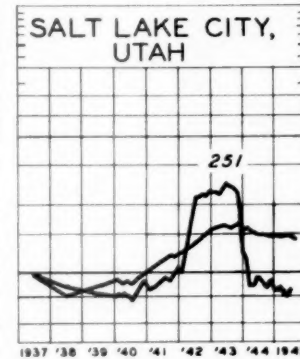
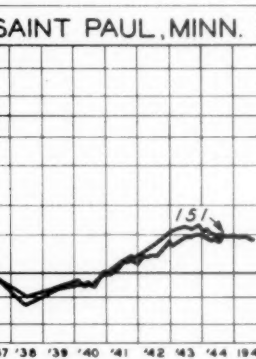
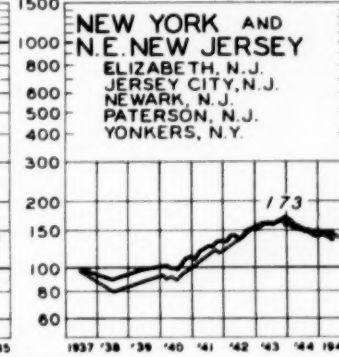
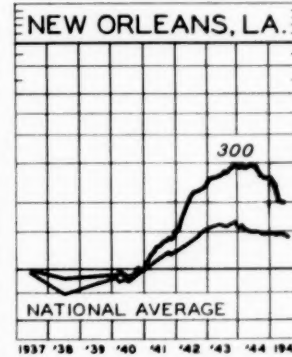
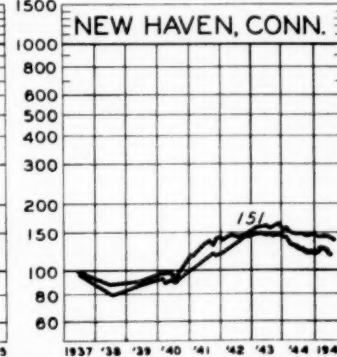
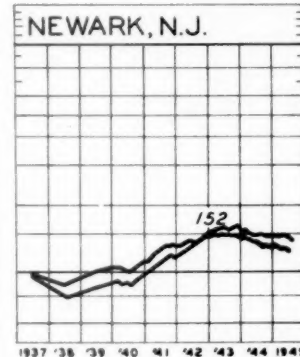
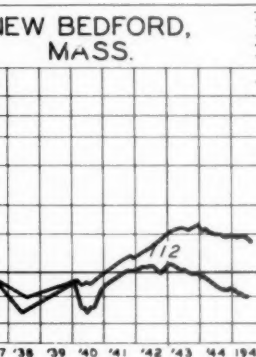
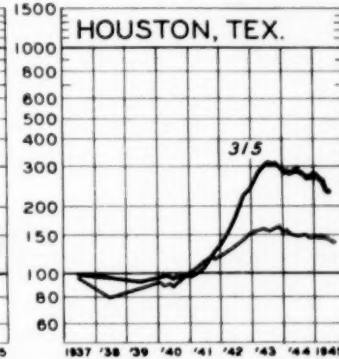
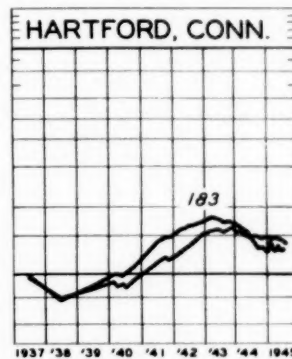
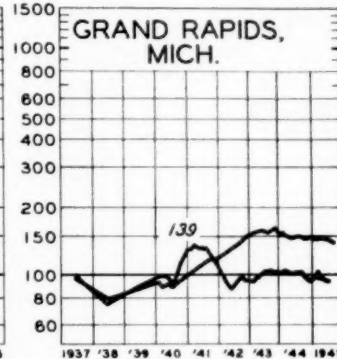
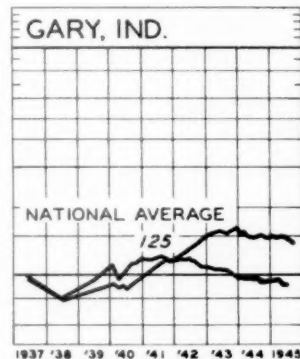
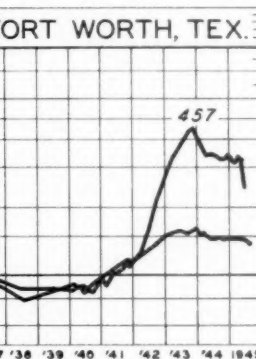
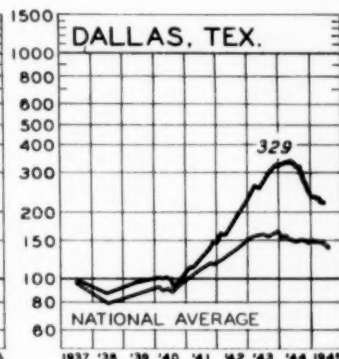
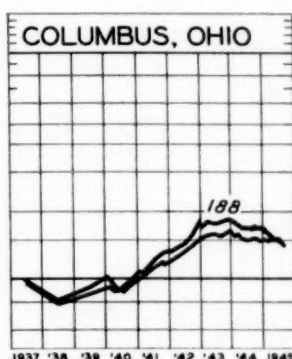
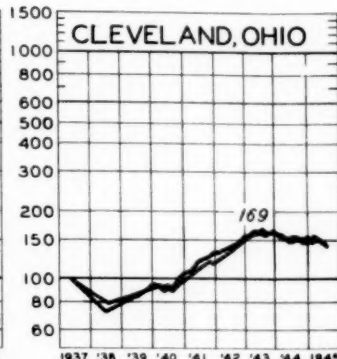
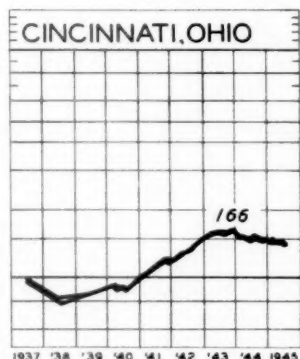
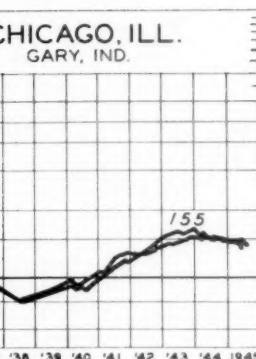


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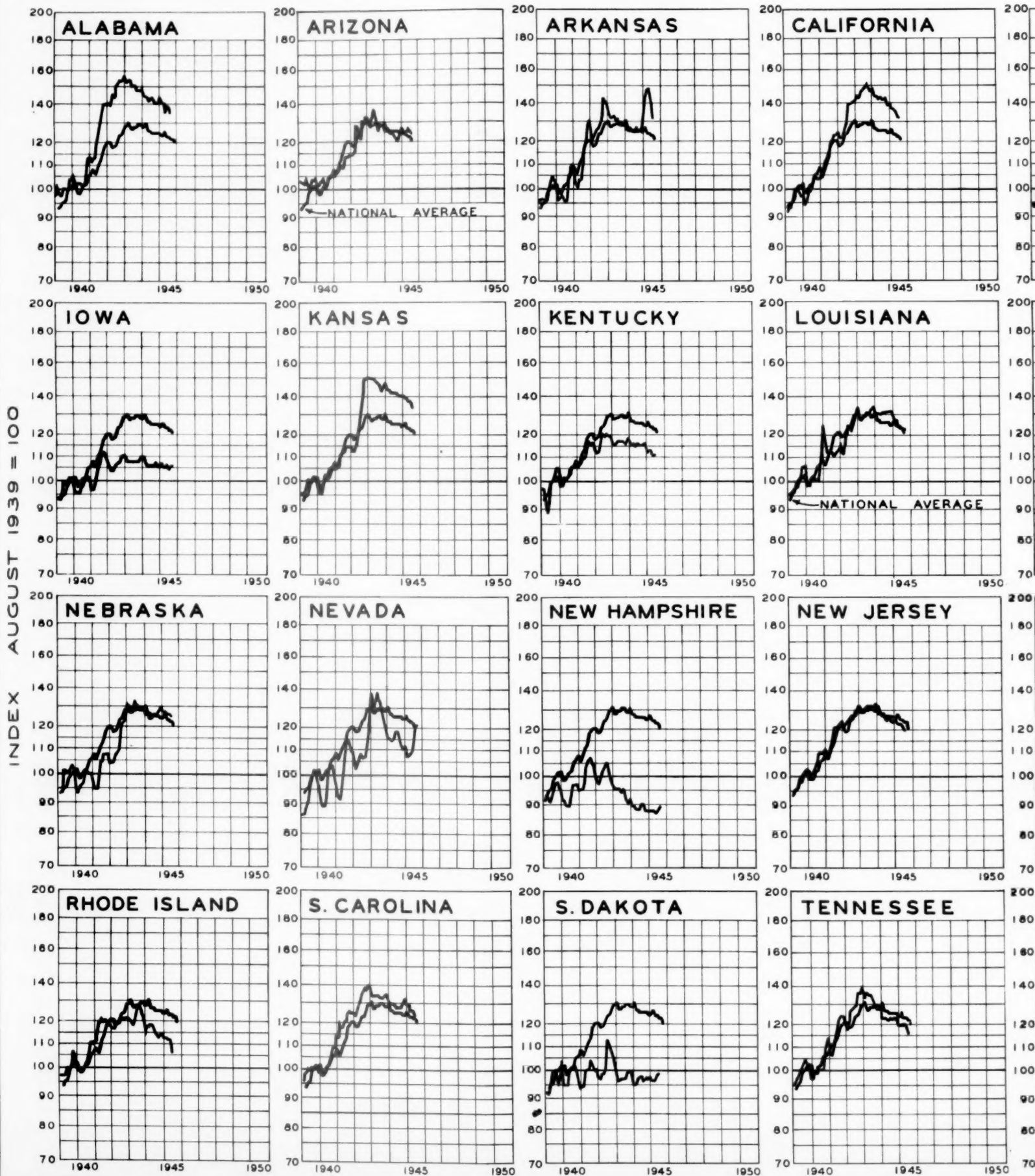
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AREAS

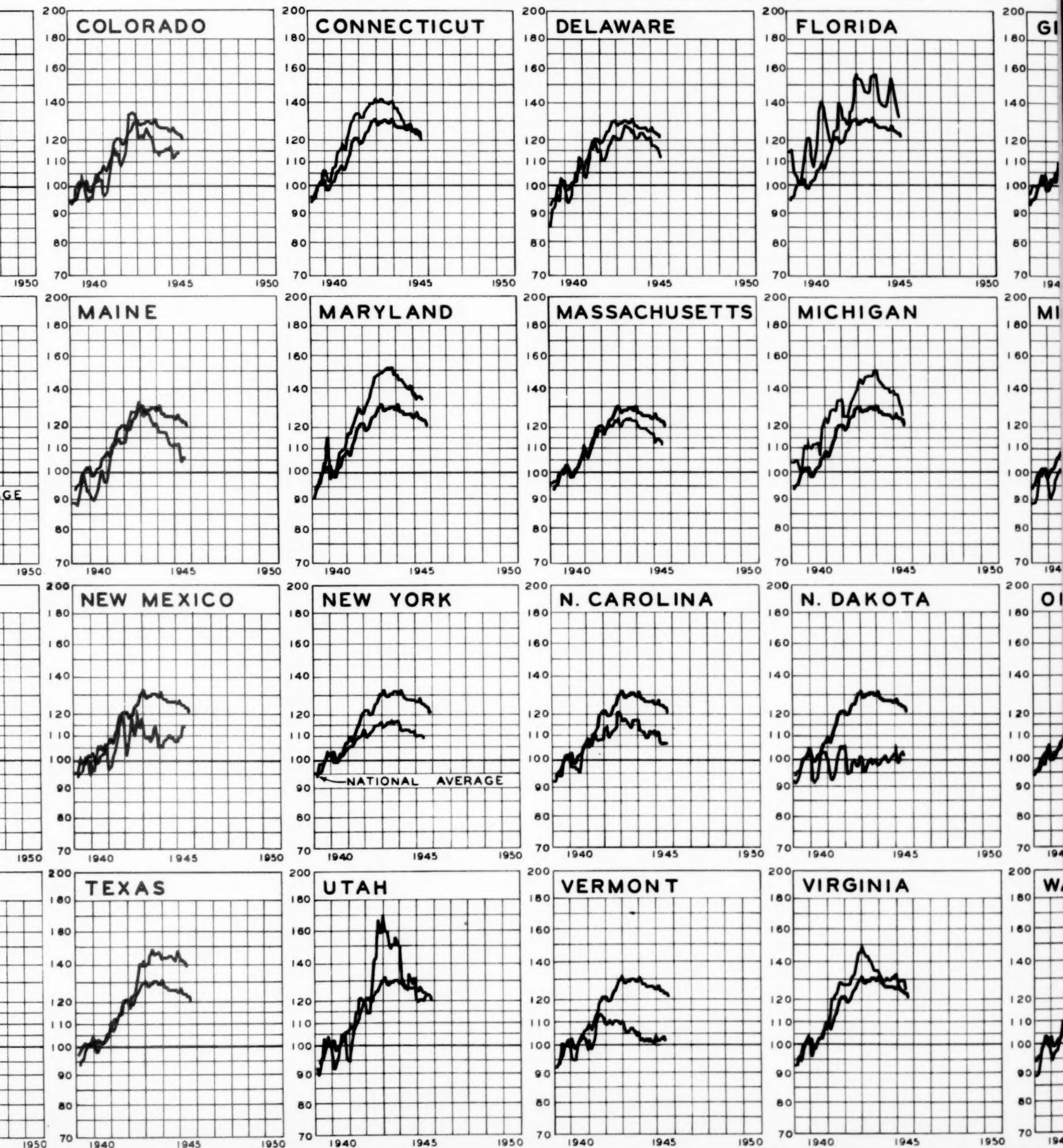


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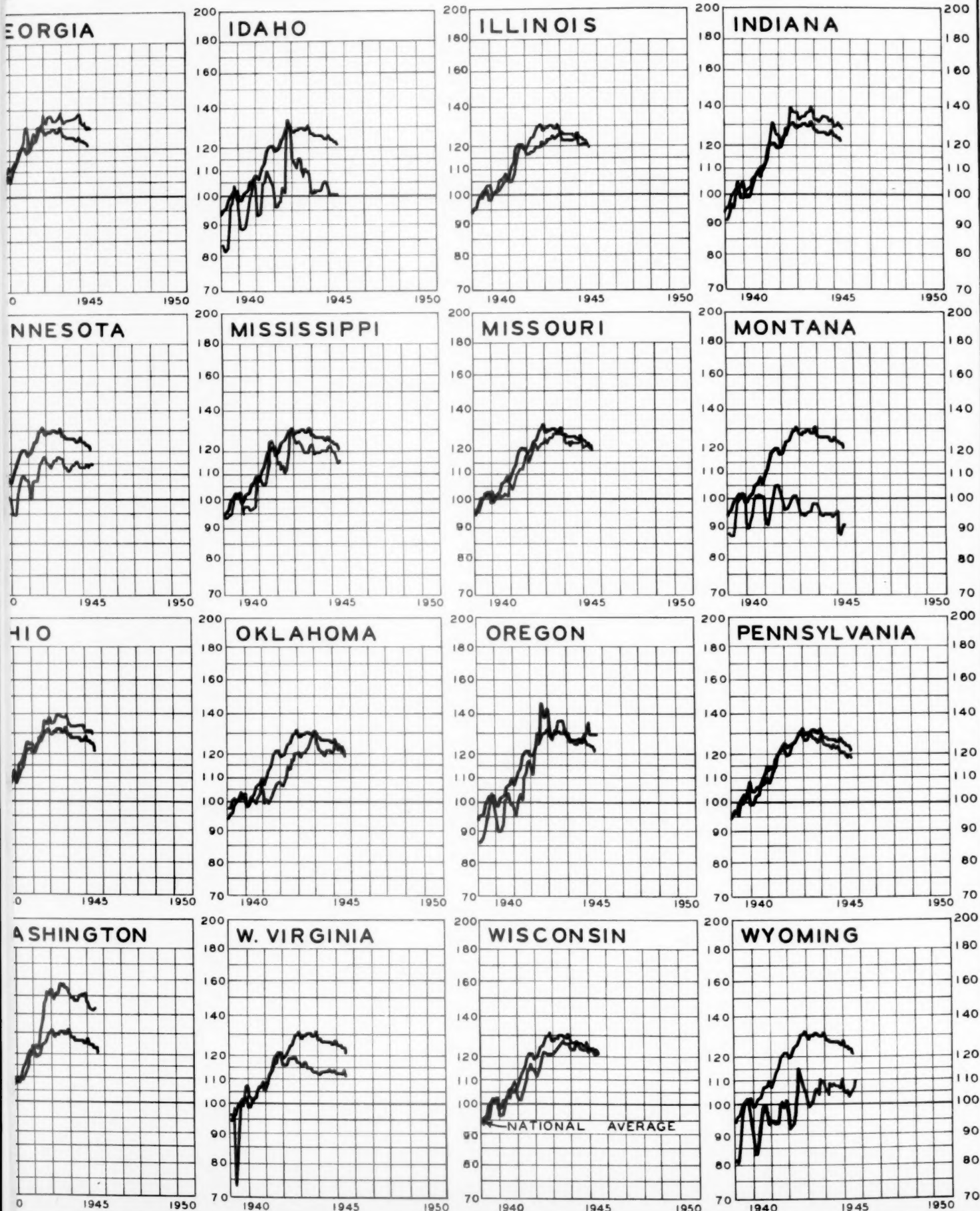


OF EMPLOYEES IN NONAGRICULTURAL

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ESTABLISHMENTS



(continued from page 293)

From the State figures it is not surprising to notice that the largest percentage of increase in employees in nonagricultural establishments since the beginning of the war occurred in the District of Columbia, but this peak was reached in December 1942 at a level 58 per cent above the prewar average. By July of 1945, the last month for which figures are available, this had declined by 9 per cent to a level 43.8 per cent above the August 1939 level. It is sincerely hoped that employment in Washington, D. C., will shrink much further during the next year. While it was inevitable that a large wartime population must be concentrated in the bureaus in Washington, the war is now over, the emergency is past, and bureau demobilization should be completed as rapidly as possible.

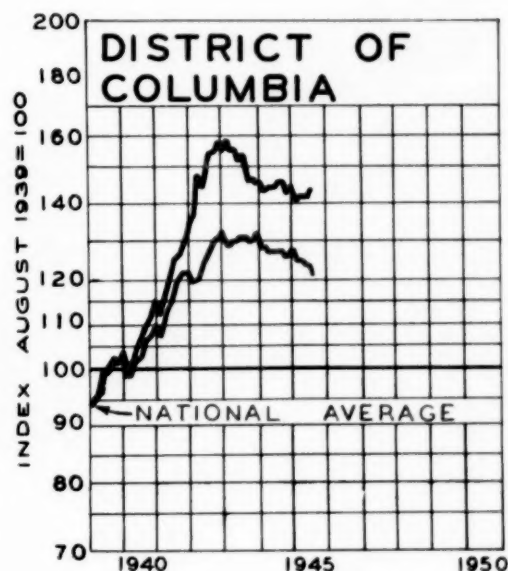
Rather peculiarly, the State of Washington followed close behind Washington, D. C., in the increase of nonagricultural employment during the war. In that State in September 1943 employment reached a level 57 per cent above the August 1939 level. The last figures available indicate that employment had declined to a level 43.4 per cent above the prewar figure.

New Hampshire has the poorest record for employment of any State of the Union for the period from 1943 on, as during this entire period it has been below the prewar level, sinking rapidly during 1943 and 1944. The current employment figure is 10 per cent below the prewar level.

Montana was only slightly better, with levels below prewar during all of 1943 and 1944 and with extremely low levels in the early part of 1945. South Dakota was a little better but still below August 1939, while North Dakota has for the most part fluctuated around the prewar level, with a very slight upward drift.

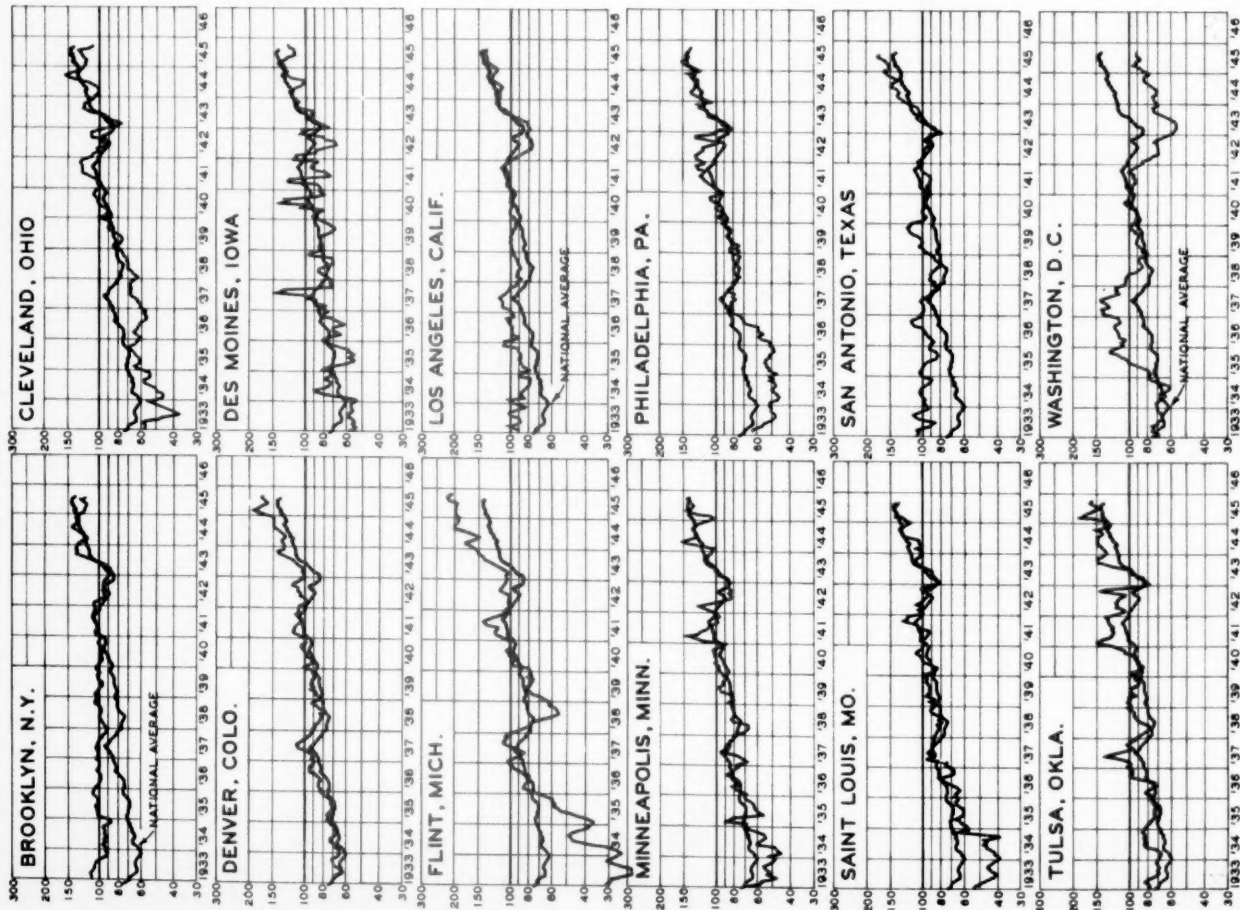
It was to be expected, of course, that employment would increase greatly, as it did, in Michigan, Connecticut, and Ohio, all of them strong manufacturing centers, but some of the greatest increases have come in States in which nonagricultural employment in the past has not been great. These would include States such as Alabama, Arizona, Arkansas, Florida, Georgia, Kansas, Nebraska, Oregon, Utah, Virginia, and Washington.

California has, of course, shown a large increase (at the peak in August 1943 employment was 52 per cent above the prewar base), but this was to be expected as both Los Angeles and San Francisco have long been manufacturing centers, and to these during the war period has been added the tremendous volume of employment in San Diego.



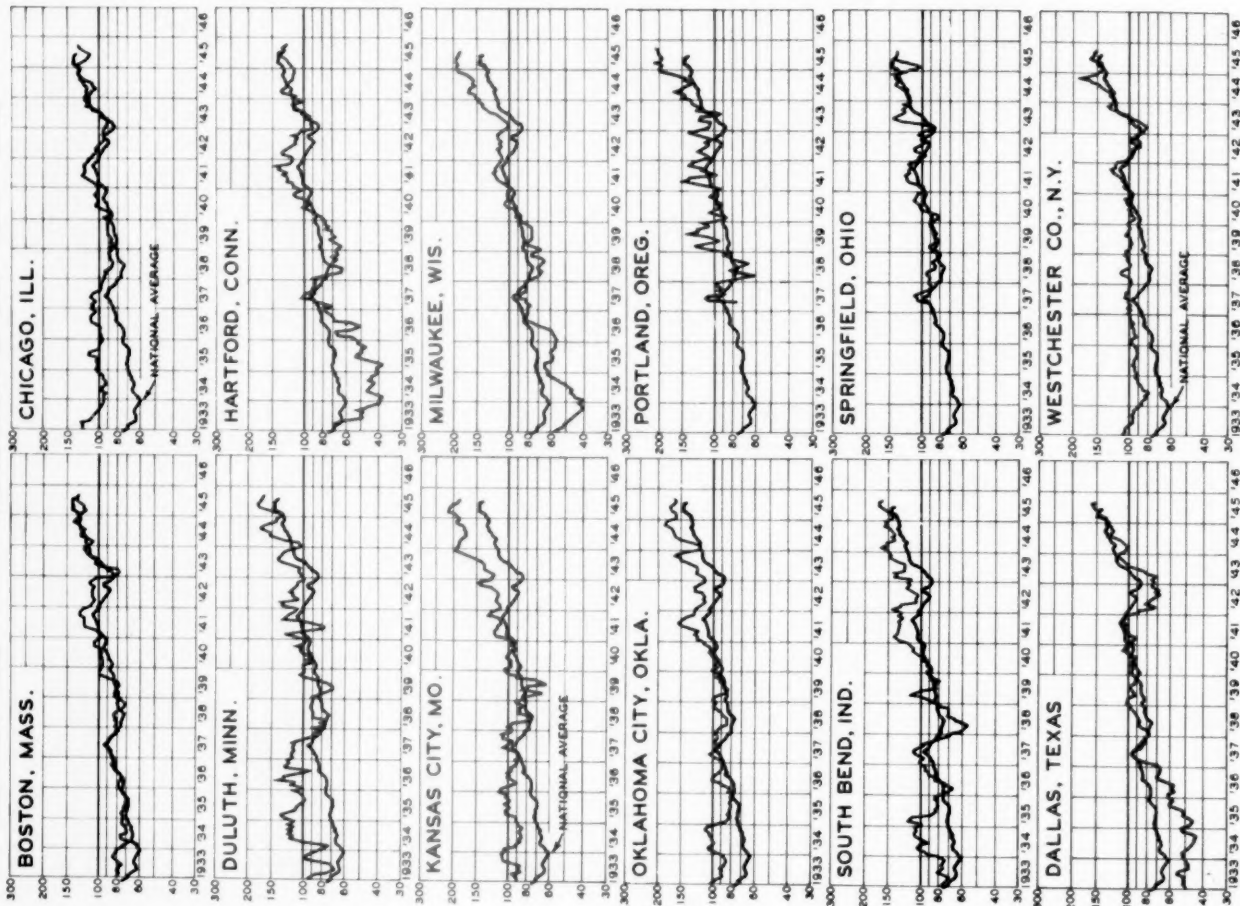
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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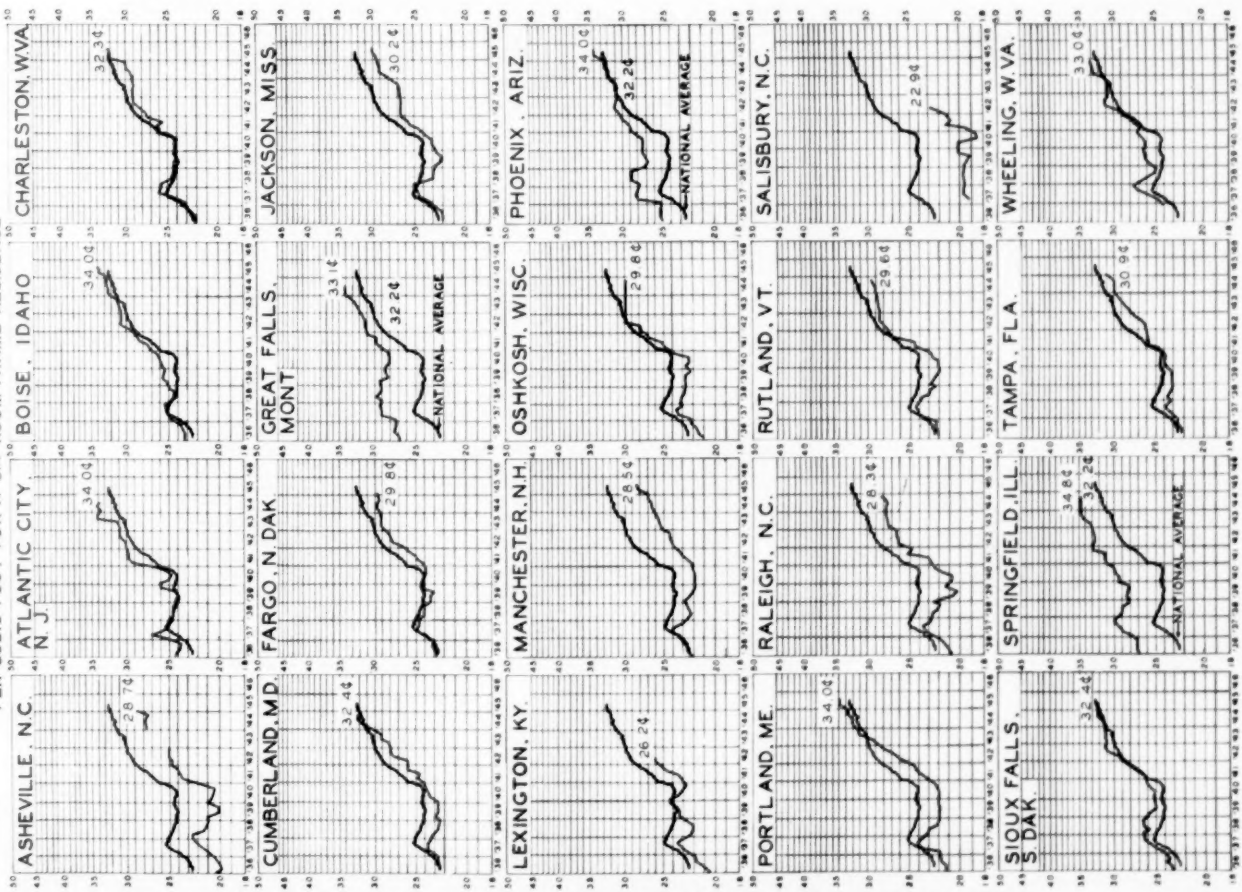


REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

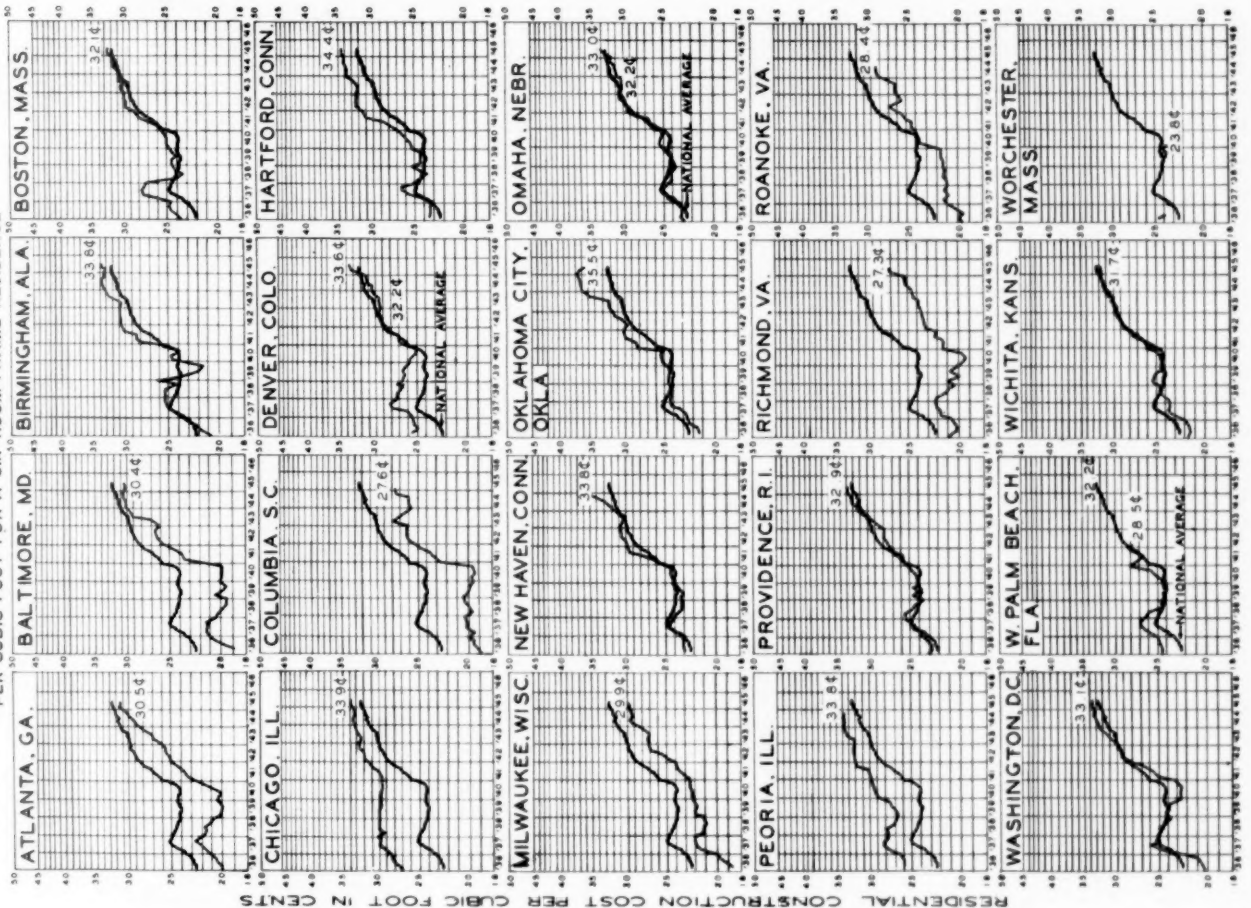
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RESIDENTIAL CONSTRUCTION COSTS PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE



RESIDENTIAL CONSTRUCTION COSTS PER CUBIC FOOT FOR A SIX-ROOM FRAME RESIDENCE



ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS

1920 ... 247,000	1925 ... 937,000	1930 ... 330,000	1935 ... 221,000
1921 ... 449,000	1926 ... 849,000	1931 ... 254,000	1936 ... 319,000
1922 ... 716,000	1927 ... 810,000	1932 ... 134,000	1937 ... 336,000
1923 ... 871,000	1928 ... 753,000	1933 ... 93,000	1938 ... 406,000
1924 ... 893,000	1929 ... 509,000	1934 ... 126,000	1939 ... 515,000

MONTHLY FIGURES

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>
January	32,300	25,700	41,200	34,500	45,000	17,300	7,400
February	30,700	36,900	43,700	51,300	40,100	13,500	8,500
March	42,900	46,000	60,200	52,700	33,000	18,100	13,500
April	42,900	62,900	75,200	59,700	26,700	14,300	19,000
May	53,300	57,000	70,700	60,600	33,600	16,500	19,900
June	45,900	44,100	77,200	46,300	21,800	17,500	20,400
July	44,200	57,600	74,600	26,700	24,200	14,500	23,300
August	51,200	55,800	69,800	27,500	27,600	12,800	20,100
September	42,400	58,400	67,000	40,400	24,300	11,300	22,000
October	42,900	66,200	56,200	32,200	28,100	10,800	
November	45,100	44,900	46,600	30,400	26,100	11,600	
December	41,200	47,000	32,800	34,300	19,500	10,800	

CUMULATIVE FIGURES

January	32,300	25,700	41,200	34,500	45,000	17,300	7,400
February	63,000	62,600	84,900	85,800	85,100	30,800	15,900
March	105,900	108,600	145,100	138,500	118,100	48,900	29,400
April	148,800	171,500	220,300	198,200	144,800	63,200	48,400
May	202,100	228,500	291,000	258,800	178,400	79,700	68,300
June	248,000	272,600	368,200	305,100	200,200	97,200	88,700
July	292,200	330,200	442,800	331,800	224,400	111,700	112,000
August	343,400	386,000	512,600	359,300	252,000	124,500	132,100
September	385,800	444,400	579,600	399,700	276,300	135,800	154,100
October	428,700	510,600	635,800	431,900	304,400	146,600	
November	473,800	555,500	682,400	462,300	330,500	158,200	
December	515,000	602,500	715,200	496,600	350,000	169,000	

12-MONTH MOVING TOTALS

January		508,400	618,000	708,500	507,100	322,300	159,100
February		514,600	624,800	716,100	495,900	295,700	154,100
March		517,700	639,000	708,600	476,200	280,800	149,500
April		537,700	651,300	693,100	443,200	268,400	154,200
May		541,400	665,000	683,000	416,200	251,300	157,600
June		539,600	698,100	652,100	391,700	247,000	160,500
July		553,000	715,100	604,200	389,200	237,300	169,300
August		557,600	729,100	561,900	389,300	222,500	176,600
September		573,600	737,700	535,300	373,200	209,500	187,300
October		596,900	727,700	511,300	369,100	192,200	
November		596,700	729,400	495,100	364,800	177,700	
December	515,000	602,500	715,200	496,600	350,000	169,000	



EXECUTIVE DIGEST

OF THE CURRENT REAL ESTATE ANALYST REPORTS

OCTOBER
1945

ROY WENZLICK & CO.

Real Estate Economists, Appraisers and Counselors

Roy Wenzlick
Editor

VOLUME XIV

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THE rescinding of L-41 will not start a building boom. Ninety-five per cent of the cities of the United States have acute housing shortages and thousands of buyers would readily purchase new buildings if they could be provided. Builders are eager to start building but some building materials are still scarce, all building materials are high, and skilled labor is very hard to get, inefficient and non-cooperative. Housing which goes forward will be high priced and necessarily built with high overhead. With rents frozen in most cities at depression levels, it is far cheaper to rent than to own. While the extreme shortage has made many people willing to pay a premium for occupancy, it will be hard to start a large volume of building, with building costs so high and with the Federal government subsidizing all tenants at the expense of their landlords.

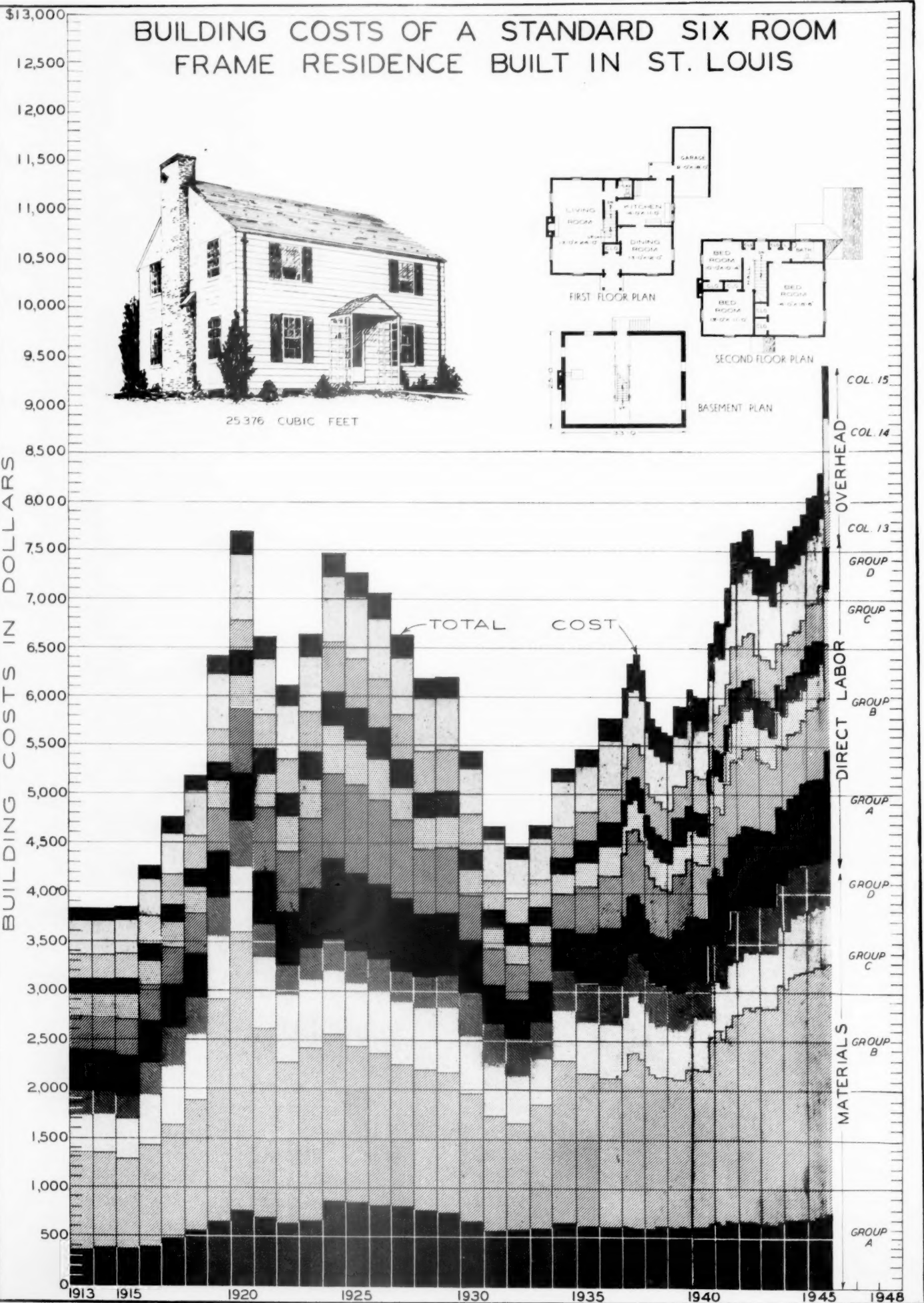
The table on building costs in this report gives a detailed picture of what has happened. From it can be determined the percentage of increase for any type of material or labor from any starting point desired.

The labor items in the recent past have increased by a far larger percentage than materials. This is typical of the increased costs coming in almost all lines of business. Organized labor is making the plea in each particular field that labor rates can be increased by a large percentage, with a relatively slight increase in the cost of the final product. This is true only if wage increases are restricted to the particular business in question.

Over the long period practically all costs are labor costs. The cost of building materials is the cost of extracting the basic materials, of fabricating and transporting the product and of selling it to the ultimate consumer. Even items which seem to be entirely overhead, in their last analysis are largely labor costs, such as the depreciation on equipment used in bringing the raw materials to their final state and place. It is true that the labor which created the buildings and machines is past labor and, therefore, was labor at a lower rate, but this is purely a temporary situation as these machines and buildings must eventually be replaced with machines and buildings constructed at the higher rates.

For a short while the contention of the unions is correct, that a large percentage of increase in labor rates brings a smaller percentage in the end product price, but over a period of time the only way that labor rates can be increased without increasing the price of the product is for the efficiency of operation to increase. Special studies by the Bureau of Labor Statistics show that wages have increased far more than efficiency during the war period.

Building volume will be greater next year than this year, but building generally will get away to a rather slow start.



BUILDING COSTS OF A STANDARD SIX ROOM FRAME RESIDENCE BUILT IN SAINT LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter **M**; corresponding labor items, in red by the letter **L**.

*No labor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

Group A

- (1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.
- (2) Tile Work: $\frac{1}{2}$ x $\frac{1}{2}$ wall tile, ceramic floor tile, cap and base.

Group B

- (3) Unfinished Lumber: Columns, beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.
- (4) Finished Lumber: Sub-flooring, sheathing, beveled siding, finished floors, asphalt shingle roofing, roofing felt, tar paper, shutters, etc.
- (5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

Group C

- (6) Heating: Boiler, insulating jackets, fittings, tools, pipes, con-

nections, valves and radiation.

- (7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures; hot water heater and tank to be furnished by others.

Group D

- (8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.
- (9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.
- (10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware.
- (11) Painting: White lead, linseed oil, turpentine.
- (12) Miscellaneous: Metal and wood laths, corner bead, insulation.

Total Material and Labor Costs

Group E

- (13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.
- (14) General contractor's profit.
- (15) Missouri sales tax (now 2% on materials), old age and unemployment tax (federal and state), liability and employees' compensation insurance, fire and tornado insurance, completion bond.
- (16) Total overhead, profit and other costs.

TOTAL CONSTRUCTION COST

YEAR	GROUP A				GROUP B				GROUP C				GROUP D				Total	GROUP E				TOTAL								
	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)			(9)		(10)			(11)		(12)		(13)	(14)	(15)	(16)
	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L		M	L	M	L		M	L	M	L	M	L	M	L
1913	\$343	\$388	\$24	\$13	\$218	\$101	\$428	\$134	\$350	\$121	\$152	\$136	\$231	\$110	\$65	\$12	\$36	\$49	\$59	\$16	\$64	\$51	\$18	\$1973	\$1146	\$248	\$337	\$132	\$717	\$3836
1914	362	388	24	13	212	101	415	134	349	121	147	136	248	110	59	12	32	49	59	16	64	50	18	1973	1146	248	337	132	717	3836
1915	360	388	24	13	189	108	373	145	329	131	152	144	249	116	68	12	38	52	64	17	69	48	19	1911	1197	257	337	135	729	3837
1916	366	396	24	13	224	108	438	145	363	131	203	144	309	116	101	12	55	52	86	22	69	59	19	2250	1205	295	375	142	812	4267
1917	456	413	25	14	258	109	500	146	396	132	244	152	359	122	108	12	59	54	110	26	69	69	19	2610	1242	325	418	152	895	4747
1918	539	421	25	15	292	118	570	158	449	143	322	152	359	124	95	14	52	54	118	30	75	73	21	2924	1295	346	457	163	966	5185
1919	624	453	25	15	519	128	1008	170	729	154	290	160	349	130	83	15	45	57	113	31	81	112	23	3928	1386	342	566	187	1095	6409
1920	742	463	28	17	607	183	1189	243	1030	220	305	184	372	150	83	21	46	66	143	36	116	132	32	4713	1695	366	677	227	1270	7678
1921	674	501	25	18	479	188	920	250	506	225	273	192	460	156	64	22	35	69	94	30	119	104	33	3664	1773	372	581	215	1168	6605
1922	609	506	25	18	362	174	703	232	571	209	258	204	433	166	64	20	35	73	79	28	111	81	31	3248	1744	370	536	205	1111	6103
1923	633	576	25	21	410	200	793	268	551	242	267	227	430	184	70	23	38	81	94	28	128	90	36	3429	1986	407	582	228	1217	6632
1924	618	703	25	108	401	246	779	328	492	296	274	277	388	224	64	28	35	100	97	35	156	87	44	3521	2510	527	656	274	1457	7488
1925	606	684	25	108	375	251	732	335	472	302	273	255	381	207	68	29	37	92	89	37	159	83	45	3404	2467	508	638	267	1413	7284
1926	566	653	25	108	379	240	732	320	432	288	264	244	381	197	69	27	37	87	86	36	152	83	43	3316	2359	499	617	254	1370	7045
1927	565	621	25	108	354	228	715	304	356	275	251	184	395	159	67	26	37	66	84	33	145	80	41	3190	2157	469	582	237	1288	6635
1928	563	541	208	97	406	184	644	244	377	220	261	184	382	151	71	21	39	66	85	31	116	74	32	3141	1856	438	544	213	1195	6192
1929	565	541	185	97	360	184	687	244	384	220	270	184	385	151	82	21	45	66	89	33	116	71	32	3156	1856	438	545	213	1196	6208
1930	474	422	185	97	340	135	655	181	312	164	251	140	341	114	71	15	39	50	72	33	87	211	24	2984	1429	380	479	175	1034	5447
1931	411	342	155	57	313	108	594	145	254	131	226	112	322	91	58	12	32	40	61	31	70	198	39	2655	1147	317	412	146	875	4677
1932	438	342	139	51	268	108	532	145	269	131	210	112	286	91	50	12	28	40	60	28	70	199	39	2507	1141	295	395	142	832	4480
1933	457	342	130	51	355	108	562	145	344	131	208	112	270	91	52	12	28	40	54	26	70	214	39	2700	1141	291	413	146	850	4691
1934	540	342	122	51	439	108	713	145	494	131	234	112	279	91	55	12	30	40	63	26	70	222	39	3217	1141	299	466	154	919	5277
1935	508	422	111	67	399	135	638	181	523	164	236	140	292	114	43	15	24	50	62	26	87	229	47	3091	1422	300	481	174	955	5468
1936	506	490	111	67	364	159	655	209	494	188	255	160	301	131	50	19	28	57	59	27	98	221	53	3071	1631	344	505	239	1088	5790
1937	503	512	111	67	395	186	742	245	578	221	247	160	326	141	54	22	29	57	64	31	104	226	53	3306	1768	363	544	310	1217	6291
1938	508	425	103	67	350	157	647	204	571	179	241	160	297	134	47	19	26	57	66	28	88	222	42	3106	1532	333	494	306	1133	5771
1939	513	525	103	77	360	159	660	211	513	190	239	160	277	133	49	19	27	57	64	29	109	192	56	3026	1696	344	505	323	1172	5894
Ja 1940	510	538	103	77	374	158	679	215	567	195	236	160	282	131	58	17	32	57	65	30	93	193	61	3129	1702	352	516	327	1195	6026
Ap 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
Jul 1940	510	538	103	77	371	158	651	215	566	195	236	160	285	131	63	17	35	57	65	30	93	193	61	3108	1702	352	516	327	1195	6005
O 1940	510	542	145	86	494	162	763	218	628	197	254	160	294	161	63	17	31	57	66	32	93	203	75	3482	1768	385	564	351	1300	6551
Ja 1941	515	640	145	86	493	182	808	243	645	219	242	160	266	161	62	19	28	58	67	33	104	203	78	3507	1950	380	585	375	1340	6797
Ap 1941	487	639	159	86	463	182	771	243	633	219	251	180	274	149	62	19	28	63	69	33	131	202	79	3432	1990	396	581	376	1353	6775
Jul 1941	510	650	159	86	553	220	802	279	635	252	250	180	274	149	62	19	27	63	72	34	131	220	79	3626	2108	396	613	397	1406	7140
O 1941	514	678	159	86	544	226	861	303	689	274	262	200	289	187	106	29	34	72	80	35	145	227	79	3800	2279	433	650	424	1507	7586
Ja 1942	514	696	175	86	536	231	854	305	689	275	262	200	314	187	64	29	48	72	79	35	145	229	81	3799	2307	431	653	427	1511	7617
Ap 1942	520	696	175	86	547	231	876	305	715	275	273	200	317	187	64	29	50	72	79	38	145	229	81	3883	2307	433	663	427	1525	7717
Jul 1942	520	696	175	86	540	233	874	307	715	276	273	200	317	198	72	29	48	86	79	38	145	229	75	3882	2331	435	668	427	1530	7743
O 1942	520	688	162	86	558	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3881	2111	419	639	403	1461	7453
Ja 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Ap 1943	520	668	151	86	561	207	884	274	715	248	273	180	317	149	56	29	50	65	79	38	130	229	75	3873	2111	419	639	402	1460	7444
Jul 1943	520	648	151	99	561	189	884	247	715	222	273	180	317	149	56	20	50	63	79	38	130	223	75	3867	2022	422	631	393	1446	7335
O 1943	528	648	151	99	662	189	1005	247	715	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4112	2022	422	656	396	1476	7610
Ja 1944	528	648	175	99	662	189	1003	247	663	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4082	2022	422	653	398	1473	7577
F 1944	528	648	175	99	662	189	1003	247	663	222	273	180	317	149	56	20	50	63	79	38	130	238	75	4082	2022	422	653	398	1473	7577
Mr 1944	528	648	175	99	662	18																								

IN our opinion Congress will not enact ceiling prices on existing houses, nor on houses to be built in the near future, in spite of the pressure being exerted at the present time by Chester Bowles. Rent control will be continued by Congress after the great bulk of price controls expire in June of 1946. The best that real estate interests can hope for at that time is a percentage increase in the ceiling.

THE preliminary figure for real estate activity during the month of September showed it to be 52.5 per cent above the long-term computed normal. The highest point reached was in July of this year at 55.6 per cent above normal. The September figures since 1942 on real estate activity have been as follows:

Year	% Above Normal	Year	% Above Normal
1942	5.7	1944	44.2
1943	24.4	1945	52.5

The principal factor limiting real estate sales at the present time is the six-month limitation on eviction of a tenant. Had residential rents been frozen at a higher level, this limitation on evictions would not work as great a hardship on the owners of real estate as it does at the levels selected by the OPA.

MORTGAGE activity in September was 22 per cent below the long-term computed normal, but this is the highest September since the depression. Septembers of previous years were as follows:

Year	% Below Normal	Year	% Below Normal
1942	38.3	1944	25.8
1943	39.2	1945	22.0

THE preliminary figure for the foreclosure rate in September was 4.0 foreclosures per hundred thousand families in all urban places. In 1933 foreclosures rose to 84.4 on a comparative basis. The comparative figures for September in past years were:

1942	10.0	1944	4.6
1943	6.4	1945	4.0

No collapse in real estate values has ever occurred without a rise in foreclosures consistently increasing month after month as the drop occurs. The foreclosure index is still quite encouraging.

BUSINESS activity is dropping rapidly due to the combination of cancellation of government contracts, frictional unemployment during reconversion, and labor tieups. All of these causes are relatively temporary, in our opinion, with the outlook for a fairly satisfactory year in 1946.

THE stock market has risen very sharply during the recent past, with the increasing chance of a readjustment, as the market generally rises in a saw-tooth fashion. The outlook over the longer period, however, still seems in favor of higher prices for common stocks. The period of the next few months, however, is quite clouded.



VOLUME XIV

OCTOBER
1945

As I sell

"HOT MONEY"

EVEN if the Federal government really wanted to prevent further inflation, there is some question whether any plan which it might attempt would be successful. For the past thirteen years we have operated on unbalanced budgets and during this period every encouragement has been given to the factors which increase the cost of production. First, during the depression period an attempt was made to limit the use of labor-saving machinery and to restrict output. At the same time farmers were given a subsidy to limit their production, thereby increasing the cost of food to the balance of the population, both through its direct cost and through the added tax burden.

Budgets were necessarily badly unbalanced during the war period and during this period most manufacturers were operating on a modified cost-plus basis. Production was badly needed and had to be secured at any cost. Inefficiency was rife and unit costs rose considerably during the war period, in spite of large volume with practically no sales expense. This is clearly shown in the studies of the Bureau of Labor Statistics quoted on page 191 of the July 1945 Real Estate Analyst.

In any free economy the law of supply and demand determines prices. This economic principle is given lip service by many people who do not understand its implications. They are quite surprised to learn that building material prices have often risen sharply in the United States at a time when practically no new building was being done, and the same thing would be true of almost any other item. It is not only the demand for and supply of a specific commodity which determines its price, but since prices are expressed in dollars a rise in the price of building materials may be due to a fall in the price of dollars, and this fall in the price of dollars may be due to the fact that more dollars had been created than the use for money at that time required. The rise in building material prices during the early Civil War period is a good example of this condition. The Civil War was financed by printing Greenbacks and, in spite of the fact that new building practically ceased, building materials rose rapidly in dollars because dollars were decreasing rapidly in value.

Another factor enters into price level determinations and that is the rate at which currency and credit is used. A checking account with an average balance of one thousand dollars may do ten thousand dollars worth of money work in a month, provided that deposits are made daily to offset checks which are drawn daily. On the other hand, an inactive account of one thousand dollars may not do any money work during the month. If the turnover of currency and credit is high, the same amount of money and credit will do the money work

of a much larger amount and will have the same effect that an increase in the amount of currency would have. An increase in the rate of turnover of currency and credit will result in a higher price level and a drop in the rate of turnover will result in a lower price level.

If the government wanted to make a sincere effort to control inflation in the period ahead, it would be necessary for it to do the following things:

1. To secure the greatest production possible of all types of commodities and services. The maximum production cannot be secured under the present policies of the OPA. There are some low cost producers in each field who could probably operate at the present time within the price ceiling set by the OPA, pay the high costs which have resulted from government policies, and still make a large enough profit to prove the necessary incentive for full production. In every field, however, producers will vary greatly in their efficiency and in the immediate future we need the mass output not only of the lowest cost producers but also of those whose cost of production is higher. These higher cost producers cannot produce under the present conditions and the resulting scarcity is creating more pressure and higher prices than would result if official prices were allowed to rise slightly, bringing additional units into production.

2. To retard inflation at a time when insufficient goods and services are available, demand should be restricted; however, our politically minded legislators and officials are reducing taxes and, therefore, increasing spending power at a time when goods and services are not available for the spending power thus released. The present legislation in Congress by reducing Federal taxes by approximately six billion dollars for 1946 will add six billion dollars to the amount which can be spent. The lone Congressman who bitterly opposed reducing taxes at the present time in the committee hearings took the correct, but extremely unpopular, stand.

3. The demand for money and credit should be increased as an inflation control. The present deterrent to this increased demand during the past few years has been the artificially low rate of interest and return brought about by government manipulations in the market. In order to make government bonds attractive and to finance our deficits at the lowest carrying cost, the rate of return on capital has been pushed so low that individuals and corporations have not found it profitable to borrow. The man who is willing to furnish risk capital finds the cards so stacked against him that he is not willing to finance new industries which, in the last analysis, must be depended upon to increase the volume of employment.

At the same time that the commercial demand for money and credit was low, the supply of money and credit has been greatly augmented until today the currency in circulation per capita is more than three times the amount in circulation at the beginning of the war and currency and credit combined on a per capita basis considerably more than doubles the prewar level.

This situation is getting worse rather than better. We are continuing to operate on a deficit basis and it looks as if we will continue with an unbalanced budget for a great many years in the future. The tax reductions now being negotiated by Congress at the same time that many expensive projects are being considered at government expense will insure a continued increase in the

volume of currency and credit per capita.

So long as the war continued, patriotic motives secured a high degree of compliance with government price regulations, but black markets will be much harder to control in the period ahead than they have been in the past. The lack of merchandise during the war with much of the available goods rationed, substituted ration points for currency and held in check the use of a large part of our surplus funds. These funds can no longer be held in check, with the probability that the rate of turnover of currency and credit will increase.

Let us look in detail at the policies now being followed in contrast with the policies which have just been enumerated which should be followed if inflation is to be controlled.

1. Reconversion is being hampered on every side by labor difficulties, with governmental blessing, and at the same time industry is told that it must pay higher wages but that prices cannot be increased. The President himself in his radio address has encouraged labor to seek additional increases. This will slow down the rate at which quantity production comes on to the market, and, accordingly, will increase the inflation pressure.

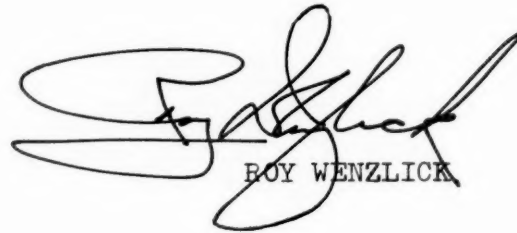
2. During the reconversion period while goods and services are not available, demand should be restricted in every way possible. In place of following such a policy, however, the government is releasing purchasing power by reducing taxes at a time when goods and services are not available for purchase.

3. A large part of the cost of the war has been financed on a very short-term basis and during the next few years a tremendous amount of refinancing on our war debt will be necessary. During this period it will no longer be possible to sell war or victory bonds to the general public in high pressure drives. It will be necessary to secure the larger part of the funds necessary for refinancing by selling bonds to the banks. This is an indirect way of creating dollars, as effective as the printing of Greenbacks but much more dangerous, as it does not cause the same degree of alarm on the part of the general public. The end result, however, is probably more inflationary than the printing of that much money.

I have been convinced during the period since V-J Day that both Congress and the President will follow the easy path which leads to further inflation rather than risk the displeasure of voters who in the great majority of cases are economic illiterates. If I am right, construction costs will continue to rise above their present high level and if this occurs the high prices for which existing housing has been sold may not seem high in retrospect five years from now.

In several bulletins recently I have advised liquidating on the present market single-family residences which are selling above their replacement cost and particularly buildings not too desirably located and not too modern. I still think this is wise, although if inflation should run wild in the United States it would be far better to continue to hold tangible properties, both urban and rural, than to attempt to get out of the market at what appeared to be a high level.

On well located, well designed properties there probably will not be a great risk in holding for another year or two with the chance that by that time the eventual degree of inflation can be estimated more accurately and a more definite policy can be outlined.



ROY WENZLICK